

CHAPTER 3

ACCOUNTING FOR REVENUE

INTRODUCTION

This chapter provides information on the laws, approved forms, reports, and procedures used in the accounting for revenue received by state agencies. Specific instructions and examples are given for the various types of revenue transactions. Other related transactions will be summarized as well. These include refunds of expenditure, refunds of revenue, returned checks, and debit/credit memos.

DAILY DEPOSIT REQUIREMENT

Indiana Code 5-13-6-1 requires that all public funds collected by state officers shall be deposited with the Treasurer of State, or an approved depository selected by the Treasurer of State, not later than the business day following the receipt of the funds. Public funds are defined as "all fees and funds of whatever kind or character coming into the possession of any public officer by virtue of that office" (IC 5-13-4-20).

DEPOSITS WITH TREASURER OF STATE

The Treasurer of State is the receiver and custodian of all state revenue. All state departments and agencies make deposits to the Treasurer's office, or submit records of deposits made to the credit of the treasury. State agencies do not have authority to maintain funds outside of the Auditor of State's accounting system without specific statutory authority. Cash and checks, as well as other evidence of monies received, must be deposited with the Treasurer of State not later than the next business day following receipt thereof. "Other evidence" of monies received includes, but is not limited to: bank deposit slips, bank credit memoranda, wire transfer receipts for letters of credit, and ACH or DTC tape totals.

In order to make deposits with the Treasurer of State, the agency must prepare a report of collections form. The office of the Treasurer of State will accept the money and verify that the amount of the cash, checks, deposit slips or other evidences of receipt are the exact amounts as shown on the report of collections. Agencies depositing directly into Treasurer of State bank accounts must put their agency number (and circle it) in the upper left hand corner of all deposit slips prior to making any deposits at the bank. This will allow the Treasurer's office to contact the agency when they find a deposit that does not correspond to a report of collections. After making the deposit, the agency must forward a report of collection and proof of deposit to the Treasurer's office not later than the next business day following receipt of funds. Upon verification, a document number and the date are affixed to the form. The report of collections is then transmitted to the Auditor of State's office to record the accounting entry specified on the form.

Indiana Code 5-13-6-1 also states that "Deposits do not relieve any state officer from the duty of maintaining a cashbook under IC 5-13-5-1." Some type of receipting method must be utilized by each agency or department for all money received. Descriptions and procedures for the most commonly used revenue records and systems will be presented later in the chapter.

REPORT OF COLLECTIONS

The Report of Collections/Receipts (Due Treasurer of State) is a three part carbonless form, which must be completed in ink or typed. The official form must be used.

A report of collections form should be completed for the following transaction types: Revenue received by the agency; Refunds of Expenditures; Revenue by Wire Transfer; and proceeds from Loans/ Investments received by the agency. The transaction types maybe combined onto one report of collection except for revenues by wire and ACH transfers. These revenues are required to be listed on a separate report of collections form. Specific instructions for each of these types of transactions as well as sample reports of collections and revenue reports from the Auditor of State will be provided later in the chapter.

A sample of the form is shown on page 3:4. Numbers have been entered on the document sections to correspond to the explanation below. The agency completes the entire form, except for item (17) which is labeled "For Treasurer Use Only."

Accounting Entry Section

Thirty lines have been provided for the agency to list the applicable entries to the state accounting system. Transactions can be summarized by fund/object/center or detailed further, depending upon the agency's individual requirements. An agency may combine all revenue received on one report of collections form, except wire and ACH transfers (electronic funds transfers).

The following numbers correspond to the sample form on page 3:4.

1. FUND NO. - Enter the appropriate fund number.
2. OBJECT - Enter the appropriate object number. This six digit number begins with a 4 if revenue or a 5 if refund of expenditure, followed by the three digit minor object code, and ending with two zeros. [4XXX00 or 5XXX00] See the minor object list. For sale of investments the object begins with 12 followed by the appropriate code for type of investment. (See chapter 2) Repayment of loans use an object specific for that loan and start with 13 or 14. (See chapter 2)
3. CENTER - Enter the appropriate center number.
4. AMOUNT - The detail transaction amount within the fund/object/ center.
5. DESCRIPTION - Enter the date(s) of collection for which the form is certified. Also, enter any required reference to source information from agency records, such as receipt number series or batch numbers. The description column will not be entered into the Auditor of State's system, except the required information for refunds of 1099 reportable expenditures and collections from loans or investments.
6. GRAND TOTAL - The total of all transactions. This must equal the total of item (14).

Certification Section

The date for which the certification applies must be entered in the Description column [See also #5].

7. SIGNATURE OF AGENCY OFFICIAL OR DESIGNEE - Signature required.
8. TITLE - Title of the authorized official or designee.
9. STATE AGENCY NAME

10. AGENCY NUMBER - Enter the three digit distributional agency number.

Monies Section

11. (a) CURRENCY - The total dollar amount of all paper bills included with the report of collections.

(b) SILVER - The total amount of all coins included with the report of collections.

(c) CHECKS - The total dollar amount of all checks included with the report of collections. (See instructions on preparing deposits.)

(d) DEPOSITS - The total amount of all bank deposits made to the credit of the treasury, with such evidence included with the report of collections.

(e) WIRE TRANSFERS - Each electronic fund transfer transaction requires a separate report of collection. The total amount of the wire transfer is documented on the report of collections.

(f) LOCKBOX - The total amount of all lockbox account deposits included on the report of collections.

(g) DEBITS - The total amount of debit memos included with the report of collections.

(h) CREDITS - The total amount of credit memos included with the report of collections.

(i) ACH - Each Automated Clearing House transfer requires a separate report of collections. The total amount is entered on this line.

TOTAL - The total dollar amount of all items included with the report of collections. This amount must equal the GRAND TOTAL explained as item six above.

Each total or subtotal should be verified twice on a calculator. This includes verifying that: detail amounts total to the subtotal column, the subtotal column adds to the Grand Total listed, and the amounts entered in the deposit or monies section equal the total listed.

Report of Collection Number

12. A control number will be assigned and imprinted on the report of collections by the Treasurer of State's office, along with the date submitted to the teller's cage, and the teller's initials. This number will be the document number on the appropriate activity reports prefixed with the letters RC.

REPORT OF COLLECTIONS / RECEIPTS (DUE TREASURER OF STATE)

State Form 14311 (R2 / 12-02)

Approved by State Board of Accounts, 2002

Approved by Auditor of State, 2002

FOR TREASURER USE ONLY

(12)

[illegible]

(11)

(11)		
Currency		
Silver		
Checks		
Deposits		
Wire Transfers		
Lock Box		
Debts		
Credits		
ACH		
TOTAL		

Prepared by:

Date prepared:

Preparer's telephone number

I certify that this report is true and correct to the best of my knowledge and belief.

Signature of agency official or designee

(7)

Title

(8)

Name of state agency

(9)

Agency number

(10)

DISTRIBUTION: White - Auditor of State; Canary - Agency after processing; Pink - Treasurer

INSTRUCTIONS FOR PREPARING DEPOSITS WITH THE TREASURER OF STATE

Each agency has established procedures regarding the daily accumulation of receipts and processing of report of collections.

Detailed instructions are given below for the preparation of deposits to be brought to the Treasurer of State's office. An explanation of deposits by agency offices located outside the downtown Indianapolis area follows. In either case, see the recommended general procedures for preparation of a report of collections, as well as instructions upon receiving the agency copy and the revenue reports.

Instructions for preparing deposits with checks are as follows:

- (a) When preparing a deposit which includes both cash and checks, prepare an adding machine tape listing the checks. Prepare and attach a tape even for one check. For non-check items being deposited (currency and/or coins, deposit tickets, debit/credit memos), identify in ink on the bottom left side of this tape the type and dollar amount. Do not add these amounts into the check totals on the tape.
- (b) Prepare a second calculator tape and attach to the bundle or groups of checks. Do not enter any non-check items on this tape, because this tape accompanies these checks to the bank. Make each tape at least three inches long and fasten with a paper clip if the bundle is small or a rubber band if the bundle is larger.
- (c) Large numbers of checks for the same amount should be grouped and the group total only added in the tape with a note on the tape margin describing the group. For example: 200 @ \$10.00 describing a group total of \$2,000; 185 @ \$5.00 describing a group total of \$925.00. Money orders may be grouped separately if it helps in tracking and accounting for the deposit.

Whenever a large amount of currency or change is being deposited, the agency is to use appropriate "money straps" or "wrappers" and show the name of the agency.

Fill in the deposit section in the lower right corner of the report of collections form. Show the amount of currency, coins, and checks. If the deposit is supported by a bank deposit ticket, show the amount of the ticket on the "Deposits" line. The total shown here must agree with the Grand Total of the top section of the report of collections.

If there are no checks included in the report of collection, run one adding machine tape of the non-check items included in the report of collection.

DEPOSITS BY AGENCIES OUTSIDE OF DOWNTOWN INDIANAPOLIS AREA

The Treasurer of State has established bank accounts for which agencies may directly deposit monies to the treasury, or the agency may establish a clearing account in its own name.

For agencies which deposit monies into a branch office of the depositories selected by the Treasurer, a receipt of deposit issued by the bank and a copy of the deposit slip are to be attached to the report of collections and forwarded to the Treasurer of State not later than the next business day following receipt of funds. The report of collections form has a line for entering the amount of such deposits. Again, the date the money was collected should be entered in the description column together with other references as may be used by an agency, such as receipt numbers or batch numbers.

Agencies located outside of the downtown Indianapolis area may be using bank accounts other than those of the Treasurer as a temporary depository. This facilitates compliance with the daily deposit statute as

well as safeguarding revenue. Agencies using such accounts shall submit, at least monthly, a properly completed report of collections together with a check made payable to the Treasurer of State. The proper preparation of the report of collections must include the date the monies were received at the agency office in the description section. A cash receipts journal should be maintained at the agency for referencing the supporting revenue source documentation to the bank deposit and to the report of collections. Entry of the check number which transmitted the collections to the Treasurer should also be entered.

The Treasurer of State processes the documents received from the agencies, forwarding the appropriate copies to the Auditor of State's office. The Auditor of State will return a copy of the report of collections to the agency. The agency should retain a photocopy of the report of collections form until the official form is returned.

PROCESSING OF THE REPORT OF COLLECTIONS FORM

Agency Clerk:

Take the completed report of collections form (3-part set must be intact) with monies (checks, cash, etc.) and adding machine tapes for the checks, or a single adding machine tape if there are no checks, to the Treasurer's office teller's cage. **WAIT** at the Treasurer's office cage while the treasury clerk performs the following procedures as described below.

Note: At 3:00 p.m. each day the Treasurer's office closes the cage for incoming transactions.

Treasurer's Office Cage:

The Treasurer's office cage will verify that the report of collections has been signed by an authorized agency official. Also, the report of collections will be audited for correctness and completeness by counting the cash, visual inspection, and verification of tapes to amounts entered on the form.

If the report of collections is received prior to an electronic funds transfer, either by wire or ACH, the Treasurer's office will retain all copies until the transfer is received. Upon receipt of the transfer the Treasurer's office completes the processing and delivers the stamped report of collections to the Auditor's office.

The top right corner of the report of collections will be initialed to signify acceptance of the reported information, in particular the monies or deposit section data given in the lower right hand corner of the form.

A sequential document number and transaction date will be stamped onto the report of collections form in the top right section of the form labeled "For Treasurer Use Only". This becomes the official date and document number which will be listed on the Agency Revenue Activity Report or the Available Funds Activity Report issued by the Auditor of State.

The pink copy of the report of collections form is retained by the Treasurer's office with adding machine tapes, and the deposit or deposit documentation.

Agency Clerk:

Take the stamped white and canary copies of the report of collections form (remaining in set) **DIRECTLY** to the Auditor of State's office.

The Auditor's office can mail the canary copy of the report of collections to the agency after the information is input into the general ledger system or the agency clerk may wait.

Auditor of State's Office:

The Auditor of State's office inputs the accounting entries to the fund/object/centers as listed on the stamped report of collections. Upon balanced entry to the general ledger system, the report of collections is initialed in the upper right corner. The Auditor's office files the white copy of the report of collections. The canary copy of the report of collections is returned to the agency representative, generally via inter-office mail.

ERROR HANDLING

If the Auditor's office discovers an error on the report of collections form, the white and canary copies will be immediately returned to the Treasurer's office. The pink copy of the report of collections will be pulled from the Treasurer's files and matched to the white and canary copies. The agency will be contacted for determination of the necessary adjustment. The Treasurer's office will correct all three form copies, initialing and dating all changes. The corrected form parts will be distributed in the same manner with the white and canary copies delivered to the Auditor for processing and the corrected pink copy filed at the Treasurer of State's office.

It is imperative that an agency devote immediate attention to the resolution of an error in the report of collections in order to facilitate the daily balancing of processed collections between the Treasurer of State and the Auditor of State.

AGENCY PROCEDURES FOR FORMS AND REPORTS

Upon receiving the canary copy of the report of collections from the Auditor's office:

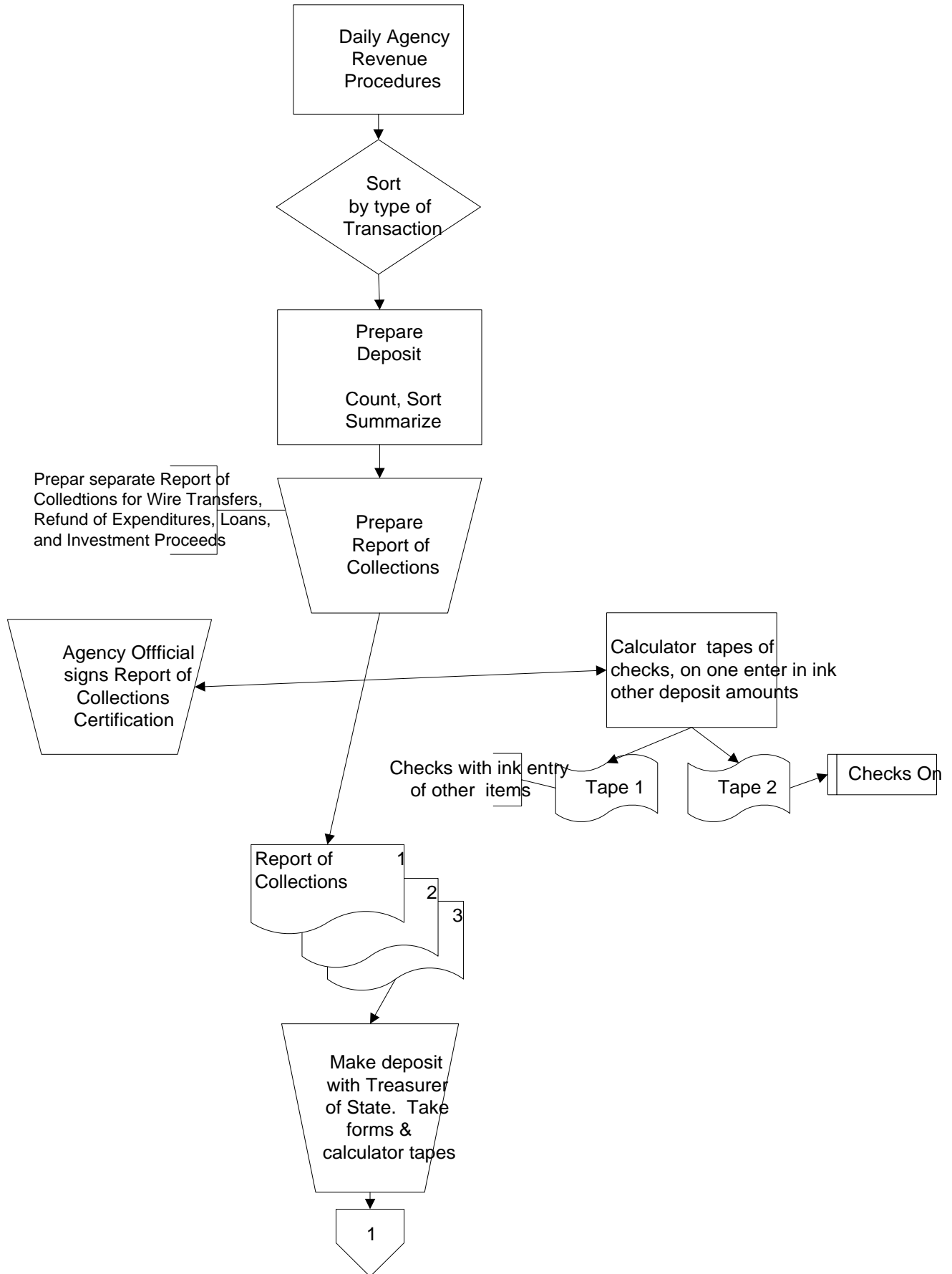
- (1) Match the processed canary copy to the photocopy which had been retained by the agency during processing. Scan both comparing that the entries are identical. Any changes made to the accounting entries should be reviewed. Determine the effect of the correction on the agency accounting records. Adjustments may be necessary.
- (2) Post the report of collections number to the cash receipts journal, if applicable.
- (3) Determine that all entries on the report of collections were accurately posted. Trace each entry listed on the report of collections to the Agency Revenue Activity report or the Available Funds Activity report for each fund/center listed. A checkmark should be entered next to each line number on the report of collections form to indicate the observation of the accurate entry on the Agency Revenue Activity report or the Available Funds Activity Report. Alternate procedures involving timely reconciliations of agency accounting system or receipts ledger balances to the Agency Revenue Quarterly Totals report and Available Funds Activity Report may be used. Such procedures should be written and the reconciliation documented as well.
- (4) File the canary copy of the report of collections by date.
- (5) The photocopy which had been retained during processing may be recycled.

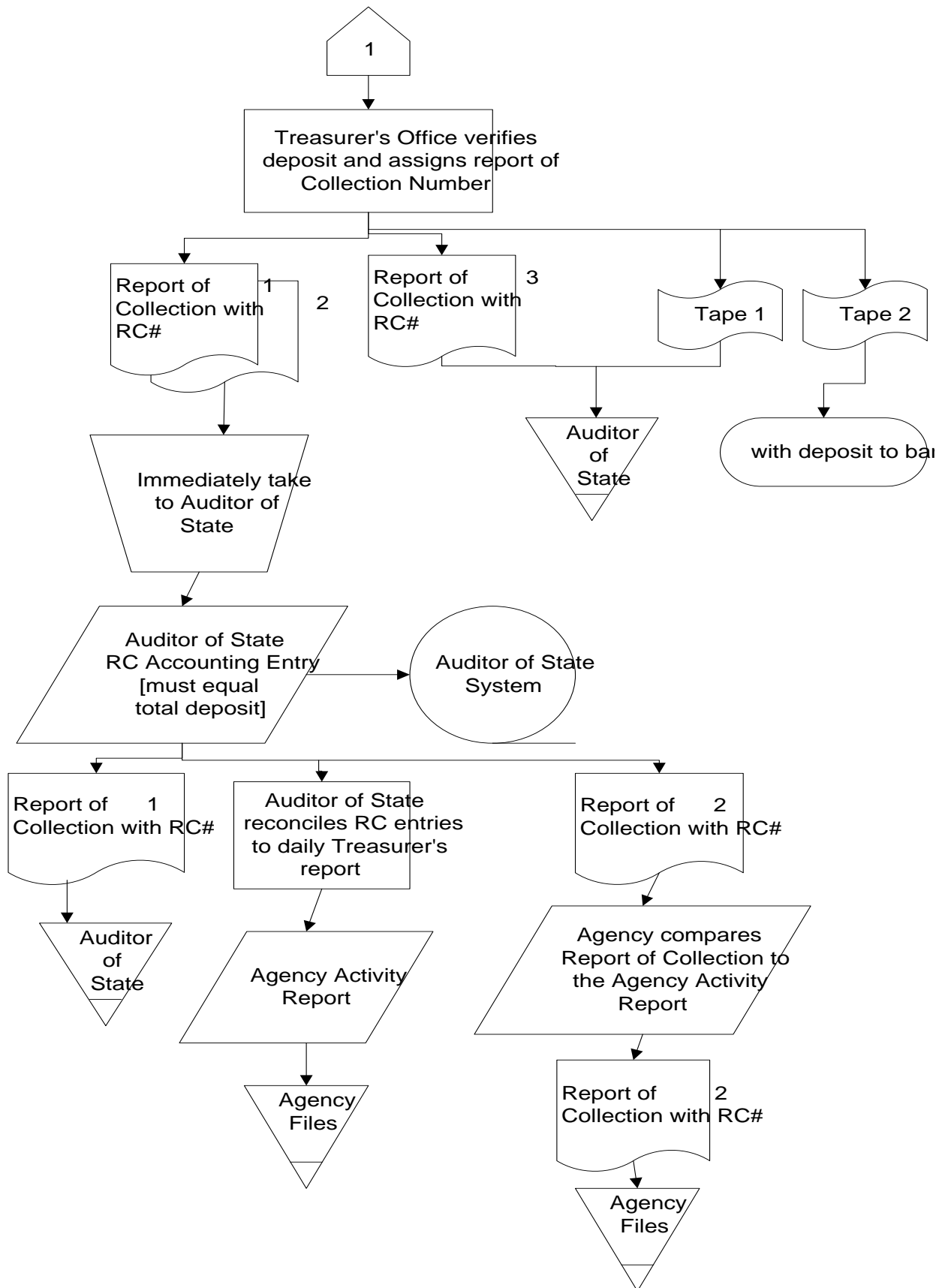
If a discrepancy or omission on the Agency Revenue Activity report or the Available Funds Activity report is discovered, the agency account manager or controller should notify the Auditor's office accounting department.

MONTHLY PROCEDURES

Each month the agency should determine that total revenues were accurately accumulated for the center. The agency should regularly ensure that all reports of collections have been fully processed. The cash receipts journal should be scanned at least monthly to determine that a report of collections number has been posted for each batch shown. If a cash receipts journal is not utilized for a given revenue type, then scan the dates on the report of collections photocopies (retained during processing). Inquire into the disposition of any unprocessed after one week.

REVENUE PROCEDURES





PROCEDURES FOR COMMONLY USED REVENUE SYSTEMS

This section of the accounting for revenue chapter describes the basic structure and requirements for commonly used revenue accounting systems.

Internal Controls Requirements

Each agency, department, quasi, institution or office should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of managements' objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets, and forms of information processing are part of an internal control system.

Controls over the receipting, recording, and accounting for the financial activities are necessary to avoid substantial risk of invalid transactions, inaccurate records and financial statements and incorrect decision making. The State Board of Accounts will lend whatever assistance is necessary to any agency in developing adequate accounting and reporting systems.

Basic procedures required for all agencies include:

1. Checks should be restrictively endorsed with an endorsement stamp, immediately upon receipt. This would occur upon opening the mail or otherwise receiving the instrument.
2. Considering the materiality of collections and the size of the agency, a complete listing of collections received should be made by a person independent of the duties of processing the receipts or making deposits.
3. All receipts, licenses or other accountable items must be prenumbered or sequentially numbered by computer when issued. Documents should be used in sequential order. If the volume warrants, a separate numeric series should be used for different revenue sources.
4. Receipts should be issued and recorded at the time of the transaction; for example, when cash or a check is received, a receipt is to be immediately prepared and given to the person making payment. Licenses, permits, etc., should be issued timely.
5. Licenses, permits, goods for sale, invoices, etc., are considered accountable items for which a corresponding deposit must be made. There is no authority for an agency to maintain an over and short fund.
6. Collections must be deposited intact. Deposits are to be made within the next business day in compliance with IC 5-13-6-1.
7. Safeguard the collections through locked drawers, cabinets or safes, particularly during breaks, lunchtime, and overnight. Cash receipts books, licenses, etc., should be inaccessible to unauthorized persons.
8. Collections and accountable items should be reconciled to the bank statements and/or Auditor of State's records.
9. The duties of collecting monies, processing the receipt, license, permit, etc., preparing and making deposits, and performing reconciliations should be segregated to the fullest extent possible considering the size of the agency and the materiality of collections.

10. Supporting documentation to support monies received must be maintained and made available for audit to provide supporting information for the validity and accountability of monies received. Documents must be filed in such a manner as to be readily accessible, or otherwise reasonably attainable, upon request during an audit.

Receipts and Accountable Forms

Some type of receipting method must be utilized for all money received. If the volume is not extremely high, the simplest and most effective method is to issue an official receipt (either prescribed or approved by the State Board of Accounts) to each person paying in money to the state agency.

In those instances where the volume of receipts justifies it, the State Board of Accounts will approve a substitute method of accounting for the revenue. The substitute method may entail the use of cash registers, the validating of documents, the use of data processing cash listings, and other accountable forms. Any system other than the issuance of prescribed cash receipt forms must have the approval of the State Board of Accounts.

The official receipt forms are consecutively prenumbered. The agency clerk must complete the form in ink. Information to be entered includes date, entity or person received from, description, and indication of cash or check payment. The official receipt forms have three copies, the original is given to the payee, the second copy is retained with the agency's report of collections, and the third copy remains intact in the receipt book.

All three copies of a voided receipt must remain intact in the receipt book. These may be stapled together. All copies must be defaced.

Cash Receipts Journal

In those agencies where money is received on a regular basis, some type of cash book is required per IC 5-13-5-1. The statute specifically requires daily entries of all funds received and balancing of the cash book daily to show funds on hand at the close of each day. The cash book must be so designed as to list the revenue by classification and amount in detail. It may include the receipt number or daily summaries from a source document or data processing listing. The amount deposited with the Treasurer of State and the corresponding report of collections number must also be shown on the cash book. The process of issuing a receipt and posting the cash receipts journal can be incorporated into one function. Since there is no standard cash book (also referred to as a cash receipts journal) prescribed for state agencies, all cash books or journals must be approved in writing by the State Board of Accounts.

Lockbox Systems

Lockbox systems are an efficient means of processing high-volume, repeating types of revenue transactions. Lockbox systems generally involve agency issuance of statements of amounts due. In a lockbox system the revenue is mailed directly to the financial institution by the payee. Data entry is performed by the bank using scanning devices to record information such as date, amount, and payee. The bank may reject transactions with incomplete or incorrect information. Within one business day, the bank has recorded the deposit to the treasury account and performed the data entry. The bank forwards the following items to the agency: lockbox notice of deposit, the processed documents, report listing a count of items processed and total amount entered and rejected documents with checks attached.

The lockbox revenue must be entered into the agency accounting records, which would involve classifying transactions and posting the batch totals to the cash receipts journal. The agency performs a cursory review of the processed documents.

The agency lists the total lockbox deposit amount on the report of collections and attached the notice of deposit form issued by the bank. The report of collections may include other revenue transactions as well. The report of collections will be processed in the same manner as described in the previous sections.

Transactions rejected by the bank must be resolved or returned to the payee. If resolved, then the transaction is recorded and deposited on the report of collections form with other monies received by the agency.

The lockbox bank accounts are established in the name of the treasury and monitored by the Treasurer of State. The bank account statement is delivered to the Treasurer.

Electronic Funds Transfer

An electronic funds transfer may be received through a wire transfer or through an automated clearing house (ACH) transaction. The transfer is recorded on the state accounting system to the agency's fund/object/center specified on a report of collections form.

Each electronic funds transfer transaction must be listed on a separate report of collections form. These may not be combined with other agency activity. It is important that the report of collections for an electronic funds transfer be completed prior to initiating the transfer. Then upon initiating the transfer, the report of collections should be immediately delivered to the Treasurer of State's office.

In order to obtain the federal funds, the following procedures are necessary:

- (a) The state agency makes a request to a federal agency for funds through proper channels; the method used depends upon the agency, the method required by the federal issuing agency, and the Treasury-State Agreement, if applicable.
- (b) Upon approval, the state agency prepares a report of collections for the amount of the "draw". Each transfer request requires an individual report of collections form.

The report of collections must specify the fund/object/centers.

The date must be entered in the description column of the report of collections form. Also, list the federal grantor agency, grant number(s) and any reference to the agency accounting records as needed. Several lines of description may be used.

The amount should be entered in the deposit section as a wire transfer, unless it is specifically known to be an ACH. The total amount of the deposit section must equal the GRAND TOTAL of the accounting entries listed.

A photocopy of the completed and certified report of collections must be retained by the agency while the original form is processed.

A calculator tape of the deposit section is required by the Treasurer's office, even though only one amount should be listed.

- (c) The completed report of collections form and the calculator tape of the deposit section must be delivered to the Treasurer's office on the day of the request.

- (d) Upon notification from the bank that the funds have been received, the Treasurer of State will process the report of collections. The Treasurer will retain the pink copy and forward the other two copies to the Auditor of State's office. The Auditor of State will post the information, file the white copy and return the agency's canary copy.
- (e) Perform the agency procedures for forms and reports as explained earlier in this chapter.

Regardless of the receipting method, the agency should always be able to trace an individual receipt from a payee to the corresponding report of collections. In the event of a lost deposit by the bank or carriers, it will be the agencies responsibility to contact the payees and recreate the deposit.

REVENUE OBJECTS

A chart which shows the composition of the revenue object is provided on the next page. All objects are six digit numbers which classify the accounting transactions. Revenue objects begin with the number 4. The second digit is the major category with the next two being the detail revenue object. The fifth digit is not used at this time and will always be a zero. The last digit is the transfer indicator and will either be a "0" [if not a transfer] or a "1" [indicates transfer]. The chart lists the major revenue categories which are identified by the second digit of the revenue object.

An object with a transfer indicator of one as the last digit becomes a unique object number, for which totals are accumulated separately within the accounting system. As such, the original amount recorded as directly received by a fund/center may be observed with transfers reported separately. This provides a basic distinction between the source or disposition of specific revenue.

All revenue objects listed on report of collections forms will end with a zero as they are not transfers. The transfer revenue object is used to record revenue received by an agency issuing an interdepartmental bill. It may also be used to transfer revenue between fund/centers through a journal voucher entry.

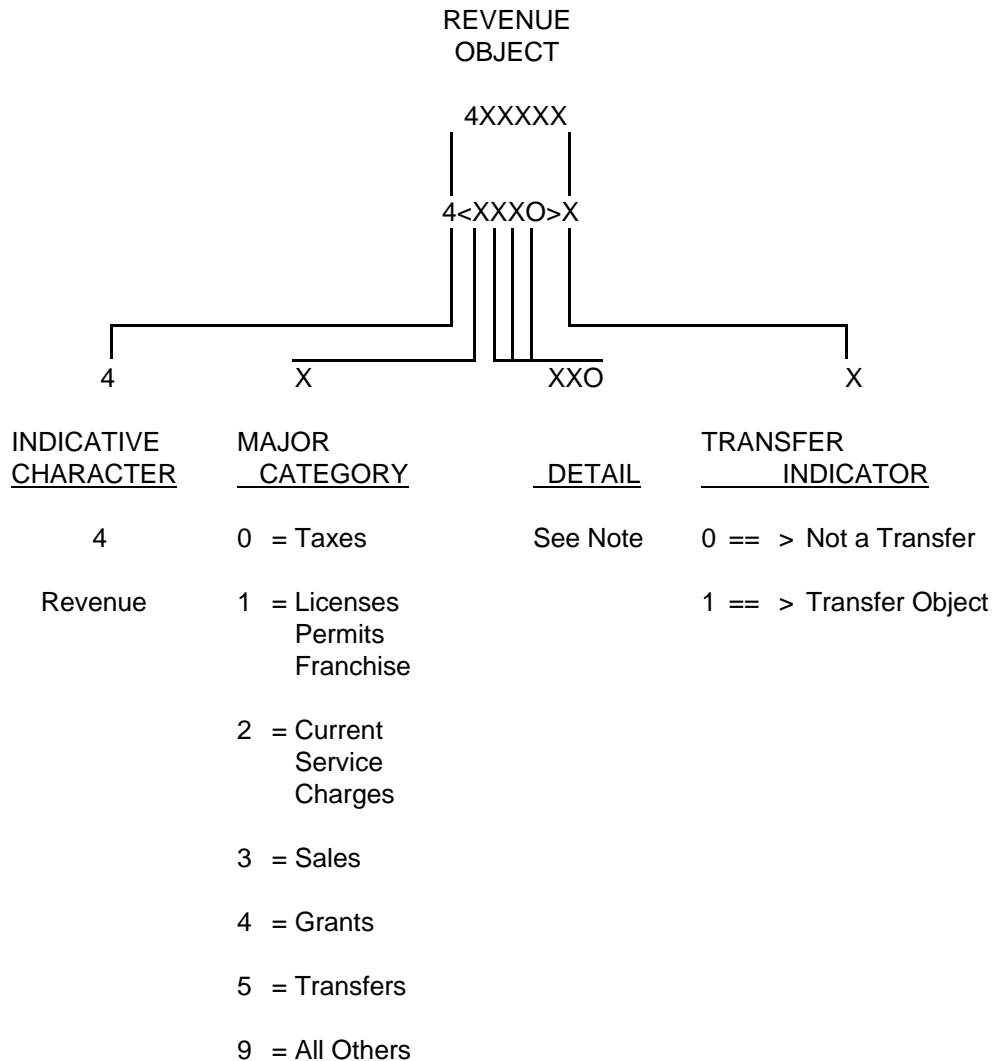
REPORTING OF REVENUE TRANSACTIONS

The accounting system for the State of Indiana, as maintained by the Auditor of State, generates daily reports of transaction detail and summary total reports for each fund/center.

Transactions recorded to revenue objects will be listed on the Agency Revenue Activity report. Revenue objects begin with the number four. The majority of the revenue transactions will be those which were listed on reports of collections forms. The report also includes columns for the refunds and transfers of revenue which were entered from other types of source documents, namely, claim vouchers, journal vouchers and interdepartmental bills.

The Agency Revenue Activity report is issued for each day which had transactions recorded to revenue objects. The major revenue object category totals and center totals of the revenues, refunds, and transfer transactions are provided. The totals on the report are only those of the listed transactions for the date(s) of the report.

ACCOUNT STRUCTURE DETAIL



NOTE: The detail revenue object is established by the Auditor's office for each fund/center revenue source. An object list is provided in the appendix of this manual.

Note that not all transactions from reports of collections will be listed on the Agency Revenue Activity report. Refunds of expenditures are recorded as reductions of the expenditure object and will appear on the Agency Available Funds Activity report which lists all expenditure transactions. The report of collections document number and date will be given.

The Agency Revenue Quarterly Totals report is issued daily and provides the amount of total net revenue recorded to date for each quarter to each revenue object for the center. The report also lists quarterly totals of revenue for each center and an agency grand total.

Report Headings

The report headings are fairly standardized for the various reports issued from the system. The headings for both revenue reports include the following information:

Line 1 INDIANA AUDITOR OF STATE
Line 2 Report ID
Report Name
Page Number
Line 3 Run Date and Time (system date and time)
Posting Effective Date
Line 4 Agency Number and Name

For the Agency Revenue Activity report, Line 4 also lists the fund/center number and the center name. Also on Line 4 at the far right side of the report (under the page number) is a seven digit number which is composed of the following:

X - digit 1 => Fund/Center **CONTROL NUMBER**
XXX - digits 2, 3, 4 => Distributional Agency Number
XXX - digits 5, 6, 7 => Functional Agency Number
X - letter => Funds Checking Indicator, When Applicable

Report Content - Agency Revenue Activity Report

Each transaction recorded to a revenue object will be listed in the Agency Revenue Activity report for the fund/center. An example of the report is presented on page 3:18. The following information is provided for each transaction listed:

<u>Column Heading</u>	<u>Description</u>
EFF DATE	The effective date of the transaction. The date is MM/DD/YR format.
DOC. REF. #	Document reference number. This identifies the document that generated the transaction on the line. The type of document is indicated by the two letter prefix to the document number, as follows: RC - Report of Collection JV - Journal Voucher VA - Voucher Abstract ID - Interdepartment Bill
AUDIT ID	A reference number in which the transaction can be located in the Auditor's accounting system.
ARULE	Accounting rule. This identifies the source system and specific accounting rule used to record the accounting entry for the transaction.
OBJECT	This is the revenue object number being posted for the transaction.
MISC. REF. #	Miscellaneous reference number. Not currently used.
WN. REF. #	Warrant reference number. This identifies the warrant number for refunds of revenue. The amount of the transaction will be classified and reported as revenue, refunds, or transfers.
REVENUES	The amount of any revenue activity recorded to a non transfer revenue object during the period stated in the report heading.
REFUNDS	Any amounts recorded for refund of revenue activity during the period of the report.
TRANSFERS	Amounts recorded for revenue transfer objects which have a last digit of "1" to indicate transfer.

Report Totals - Agency Revenue Activity Report

POINT TOTAL	These are the totals of revenues, refunds, and transfers transactions for each major category of revenue object for the period reported.
CENTER TOTAL	These are the totals of revenues, refunds, and transfer transactions for the fund/center for the period defined in the report heading.

REPORT ID : GM-AGRVDE
RUN DATE 09/29/2006 20:35:43

INDIANA AUDITOR OF STATE
AGENCY REVENUE ACTIVITY
09/01/2006 THRU 09/30/2006

PAGE 1

AGENCY 300 NATURAL RESOURCES, DEPT. OF

FUND CENTER 1000 103000 ADMINISTRATION GENERAL

3300300

EFF DATE	DOC. REF.#	AUDIT ID	ARULE	OBJECT	MISC.REF#	WN. REF.#	REVENUES	REFUNDS	TRANSFERS
09/12/2006	RC501281	*VIL001792	BC43	411100			200.00	.00	.00
09/21/2006	RC502331	*VIU001365	BC43	411100			200.00	.00	.00
09/22/2006	RC502480	*VIV002125	BC43	411100			100.00	.00	.00
POINT TOTAL							500.00	.00	.00
09/14/2006	RC501552	*VIN001697	BC43	421300			3,594.59	.00	.00
09/18/2006	RC501833	*VIR001549	BC43	421300			2,251.43	.00	.00
09/21/2006	RC502331	*VIU001390	BC43	421300			714.29	.00	.00
09/27/2006	RC502928	*VIO001941	BC43	421300			13,422.14	.00	.00
POINT TOTAL							19,982.45	.00	.00
09/13/2006	JV002426	*VIM001830	BC43	490000			4.80	.00	.00
POINT TOTAL							4.80	.00	.00
CENTER TOTAL							20,487.25	.00	.00

Report Content - Agency Revenue Quarterly Totals Report

This report accumulates the total amount recorded to each revenue object, by fiscal quarter. The total is reported for a given object, net of refunds. Transfer objects, as identified by the last digit of "1" instead of "0", are also listed with the net total amount recorded each quarter given.

Each fiscal quarter is separately accumulated as of the date stated in the report heading. For a year-to-date total of the entries to revenue or other objects, see the Agency Object Trial Balance report [issued monthly].

A total of all revenue activity recorded to the fund/center is given for each quarter. The grand total for the agency is listed at the end of the report.

The report example is given on the next page.

REPORT ID : GL-AGRVTB
RUN DATE 09/29/2006 18:59:39

INDIANA AUDITOR OF STATE
AGENCY REVENUE QUARTERLY TOTALS
AS OF 09/30/2006

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AGENCY 022 SUPREME COURT

FUND	CENTER ID	OBJECT ID	QUARTER 1 ACTIVITY	QUARTER 2 ACTIVITY	QUARTER 3 ACTIVITY	QUARTER 4 ACTIVITY
6000	160400	491800	63,000.00	.00	.00	.00
			=====	=====	=====	=====
			63,000.00	.00	.00	.00
6000	186300	440501	.00	.00	.00	.00
6000	186300	451101	2,866,444.72	.00	.00	.00
6000	186300	490000	.00	.00	.00	.00
6000	186300	490001	267,617.62	.00	.00	.00
			=====	=====	=====	=====
			3,134,062.34	.00	.00	.00
6000	189000	490000	6,400.00	.00	.00	.00
			=====	=====	=====	=====
			6,400.00	.00	.00	.00
6000	193900	490000	5,880.00	.00	.00	.00
			=====	=====	=====	=====
			5,880.00	.00	.00	.00
6000	194700	490000	3,150.00	.00	.00	.00
			=====	=====	=====	=====
			3,150.00	.00	.00	.00
6000	194800	490000	.00	.00	.00	.00
			=====	=====	=====	=====
			.00	.00	.00	.00

REPORTING OF REVENUE ACCOUNTING ENTRIES

For those centers with a control code of 3, revenue transactions only appear on the Agency Revenue Activity report.

For centers with a control code of 5, revenue transactions appear on the Agency Revenue Activity report and are also recorded to the appropriation object on the Agency Appropriation Activity report. Each report lists the same information for the transaction: the same document reference, accounting rule, date and amount. The object to which the entry was posted is necessarily different between the reports.

For centers with a control code of 6, revenue transactions appear on the Agency Revenue Activity report and are also shown as an entry to an allotment object on the Agency Available Funds Activity report.

ACCOUNTING FOR REFUNDS OF EXPENDITURE

The report of collections form is also used to report the refund of expenditures. Examples of refunds of expenditures include: collections of overpayments made to a vendor or contractor, payment received from the vendor for credit for defective or returned items, a rebate or other discount remitted by the vendor. Refunds of expenditure may also be collections which offset an additional agency expense which had been unanticipated by the agency's budget. An example of the latter situation is a receipt for the cost of producing and distributing certain public information requested.

For control 3 and 5 fund/centers, a refund of expenditure can only be used if the original disbursement and the refund or collection are within the same fiscal year. It is processed as a reduction of the expenditure originally made instead of as an increase of revenue. Thus, this transaction will appear on the Agency Available Funds Activity report issued by the Auditor of State, instead of the Agency Revenue Activity Report.

If the collection is not received within the same fiscal year [ending June 30] as the related expenditure, and the fund/center has a control code of 3 or 5, then the collection must be recorded as miscellaneous revenue. The object for miscellaneous revenue is 490000-490400.

The following determinations and procedures apply to refunds of expenditures:

1. Determine the original expenditure to which the refund relates. The same fund/object/center number should be entered on the report of collections form as was used to record the original expenditure. The object entered for a refund of expenditure will begin with a 5, followed by the three digit minor object code and ending with two zeros [5XXX00].
2. If the collection was received from a vendor, determine whether the original expenditure was 1099 reportable. If not, then enter NO circled in the description section of the report of collections form. If it was 1099 reportable, then enter in the description section of the report of collections:
 - (a) Vendor number and
 - (b) 1099 code identifier, circled
 - GP Unemployment Compensation, Tax Refunds, Agricultural Payments, Taxable Grants
 - LA Proceeds from Real Estate Sales
 - MH Medical and Health Care
 - NC Nonemployee Compensation
 - PA Prizes and Awards
 - RE Rents

- RP Pension, Annuity or Insurance Distributions
- AC Acquisition of Secured Property
- (c) Purchase Order Number (if applicable)

3. Was the original expenditure charged to federal grant program(s), either directly or indirectly?

If YES, then reduce the associated expense charged to the federal grant on the agency's subsidiary grant accounting records. Indicate a reference to the entry made on the agency photocopy of the report of collections form or on an attached memo.

4. Was the collection made within the same fiscal year as the associated expenditure?

If NO and the center control code is 3 or 5, then record as miscellaneous revenue object 490000-490400. If the center control code is 6, then record as a refund of expenditure.

If YES, then record as refund of expenditure. The expenditure object will be listed on the report of collections form.

The same basic agency procedures apply to refunds of expenditures as for all collections received by the agency. Receipts should be issued and entry made to the cash receipts journal, as applicable for the agency. The statutory requirement of daily deposits also applies to these collections.

ACCOUNTING FOR REFUNDS OF REVENUE

Basis

The agency must document the basis for making a refund of revenue. The refund may occur due to an overpayment made to the state agency or due to the agency's rejection of a transaction. Reasons for transaction rejection generally involve a failure to meet the required criteria.

Procedure

Review the agency records to determine the original deposit of the revenue to be refunded. Abstract the fund/object/center to which it was recorded, as well as the date and report of collections number.

Agency records should reference the original deposit and document the calculation of the overpayment or other reason for refund. The reference to the original deposit would include the report of collections number and date. This reference may be entered in the description column of the claim voucher form or should otherwise be retained with the agency copy of the claim.

A refund of revenue is made through a state claim voucher form. (See Chapter 5 for instructions and methods of submitting to the Auditor of State.) Record the refund of revenue to the same fund/object/ center as was originally entered on the report of collections. The object will necessarily begin with a 4 as it will reduce the revenue object. After completion of the claim voucher form, the claim must be signed by the authorized agency representative.

Reporting

A refund of revenue transaction will appear on the Agency Revenue Activity report in the refund column. The document reference will be the claim voucher document number. A warrant number will be listed as well. Depending upon the center control code, an additional entry to budgetary accounts may have been

made. In that case, the transaction would also appear on another activity report to show the budget object posted.

ACCOUNTING FOR RETURNED CHECKS

When a check is returned to the Treasurer of State because of insufficient funds, the agency which received the instrument will be charged and must take necessary action to collect the amount due. The Treasurer's office prepares a journal voucher for the amount of insufficient funds. The transaction is recorded to the fund/center designated by the agency for use in such circumstance. A specific revenue object code has been established to record the returned check transactions, code 493000. The transaction will appear as a refund on the Agency Revenue Activity report, thus reducing the object code 493000. The returned check is given to the state agency. The agency is then responsible for trying to collect on the returned check.

When an agency collects on a returned check, the agency submits the collection together with a new report of collection. The accounting entry specified must be recorded to the object code 493000, and the same fund/center as was used by the Treasurer to charge the agency for the returned check. This will cause the appropriate offset in the object 493000 balance.

ACCOUNTING FOR RETURNED WARRANTS

Many times a warrant is returned and needs to be either redeposited into a fund center or reissued to the payee. This section will explain how to account for the return of state warrants.

When a warrant is returned, the following procedures must be followed:

- A. Retrieve a blank copy of the Report of Returned Warrant form (State Form 46645).
- B. Write the nine digit warrant number in the column titled "Warrant Number." The warrant number is found in the upper right hand corner of the warrant, or in the upper right hand corner of the warrant stub.
- C. Next to the warrant number in the column titled "Credit Amount," write the amount of the warrant.
- D. Repeat this process if more than one warrant is being returned.
- E. Add the amounts of all the warrants, and place the total in the box titled "Grand Total." If using more than one returned warrant form, write "Continued" in the grand total box.
- F. Check whether the warrant should be reissued or not. For a warrant to be reissued the original corrected supporting documentation must be attached and the payee must remain the same. If the warrant needs to be reissued to another payee, then cancel the original warrant and submit a request for a new warrant through the normal payment methods. Each warrant that needs to be reissued should be placed on a separate report of returned warrant form.
- G. Have an agency official sign the form in the appropriate box. (Signature stamps are not allowed.) Also, a telephone number, date, state agency name, and agency number are required. The Auditor of State's office will not process the document if the information is not provided. The box titled "Additional Information" should contain an explanation for the cancellation or reissue of the warrant. In addition, if the contact person is not the same as the agency official, then that persons name and number should be included in this section.

- H. Attach all warrants to the front of the report of returned warrants form in the order the warrant was written on the form.
- I. Place the form and warrants in an 8 ½ by 11 inch envelope and send to the Auditor of State's Service Center (Room 234 State House).

The Help Desk personnel will process your returned warrants and mail back the yellow copy of the report of returned warrants form. On your returned copy, you will notice on the right side of the form a column titled "Auditor's Use" and beneath that three smaller columns titled "Date Cleared," "Date Issued," and "Payroll." The date cleared column will have the date the warrant was cleared. This will be your general ledger effective date. The date issued column will have the date of the reissued warrant, if applicable. The payroll column will have the initials of the person who processed this transaction if the warrant being returned was a payroll warrant.

ACCOUNTING FOR DEBIT/CREDIT MEMOS

On an infrequent basis, the bank may find that an error in a deposit was made. The bank issues either a debit or credit memo to document the decrease or increase, respectively, made to the treasury account to correct the error.

Debit/credit memos returned to the Treasurer of State by the banks require special handling. The debit/credit memo and backup documentation is given to the agency. It is the agency's responsibility to review these items and determine the correcting entry to the state accounting system. The correction should be reflected on a subsequent report of collections. The Treasurer of State's office will provide further assistance with these.

The action taken by the agency should commensurate with the dollar amount of the memo. The agency procedures for accounting for debit and credit memos are as follows:

- Review documentation or reason reported by the bank for the debit or credit memo.
- Compare to the agency records.
- Upon agreement with bank finding, record the debit or credit memo in the cash receipts journal and other appropriate agency records.
- Determine the fund/object/center to which to record the debit or credit memo. Ordinarily this should be the same fund/object/center to which the original error had been recorded. For a debit memo, it should be recorded to a fund/object/center with current revenue transactions in order to report a net credit entry on the accounting entry section of the report of collections.
- Include the debit or credit memo with other revenue transactions on the report of collections form. The deposit section in the lower right corner of the form provides lines labeled specifically for the entry of the debit and credit memo amounts. The debit amount should be listed in brackets () to reflect the negative entry. The debit or credit memo is then remitted to the Treasurer's office with the report of collections and the balance of the deposit. The report of collections is processed and distributed in the same manner as for other collections.

OFFICIAL BONDS

Many elected and appointed public officials are required by law to furnish official bonds to cover the faithful performance of their duties. Accordingly, a bond must be executed and furnished as required by the applicable statute.

Where a bond is not required by statute and has not been determined to be needed to protect the interest of the state as authorized by IC 4-13-1-12, management should decide whether to procure a bond. Consideration should be given to the materiality of monies collected, susceptibility to theft, or other relevant factors.

Reference should be made to IC 5-4, Officers' Bonds and Oaths.

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